



MIDWEST ACCOUNTING, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

101 N. Port Crescent
Bad Axe, Michigan 48413
(989) 269-9966 • Fax (989) 269-6780
<http://www.mwaccounting.com> • info@mwaccounting.com

October 27, 2008

To the Board of Directors
Ellington Township
Caro, MI 48723

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ellington Township for the year ended March 31, 2008, and have issued our report thereon dated October 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ellington Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and

assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

October 30, 2008

Page 3

This information is intended solely for the use of board of directors and management of Ellington Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Midwest Accounting, P.C.

Midwest Accounting, P.C.

Midwest Accounting, P.C.
Certified Public Accountants

**Ellington Township
Caro, MI**

Tuscola County

**FINANCIAL REPORT
March 31, 2008**

Ellington Township

Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1 - 2
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	3 - 4
<u>General Purpose Financial Statements:</u>	
Statement of Net Assets	5
Statement of Activities	6
<u>Fund Financial Statements:</u>	
Combined Balance Sheet All Fund Types and Account Groups	7
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types	8
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Government Activities	9
Reconcile of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to the Financial Statements	11 - 17
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule - General Fund	18
<u>Additional Supplemental Information:</u>	
General Fund Schedule of Revenues	19
General Fund Schedule of Expenditures	20 - 21
Special Revenue Fund Schedule of Revenue	22
Special Revenue Funds Schedule of Expenditures	23

Midwest Accounting, P.C.
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

Independent Auditor's Report

To the Township Board
Ellington Township
Caro, MI 48723

We have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Ellington Township as of and for the year ended March 31, 2008, which collectively comprise the basic financial statements of the Ellington Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ellington Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of Ellington Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ellington Township's basic financial statements. The introductory section and supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Midwest Accounting, P.C.

Midwest Accounting, P.C.

October 27, 2008

Midwest Accounting, P.C.
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

**Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Township Board
Ellington Township
Caro, MI 48723

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ellington Township as of and for the year ended March 31, 2008, which collectively comprise Ellington Township's basic financial statements and have issued my report thereon dated August 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ellington Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ellington Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ellington Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ellington Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Ellington Township's financial statements that is more than inconsequential will not be prevented or detected by Ellington Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Ellington Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ellington Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

Midwest Accounting, P.C.

Midwest Accounting, P.C.
October 27, 2008

Ellington Township
Statement of Net Assets
March 31, 2008

Assets

Current Assets

Cash and Investments	\$ 165,471.54
Taxes and Accounts Receivable	<u>28,463.87</u>
Total Current Assets	<u><u>193,935.41</u></u>

Property and Equipment

Land	77,671.29
Building	400.00
Furniture and Equipment	19,033.48
Improvements	12,451.00
New Purch Equip	1,654.00
Less - Accumulated Depreciation	<u>(20,005.00)</u>
Net Property and Equipment	<u><u>91,204.77</u></u>

Total Assets	<u><u>\$ 285,140.18</u></u>
---------------------	-----------------------------

Liabilities and Net Assets

Current Liabilities

Current Portion of Notes Payable	<u>\$ 2,257.26</u>
Total Current Liabilities	<u><u>2,257.26</u></u>

Long - Term Liabilities

Notes Payable	<u>21,808.54</u>
---------------	------------------

Total Liabilities	<u><u>24,165.80</u></u>
--------------------------	-------------------------

Net Assets

Invested in capital assets net of related debt	91,204.77
Unrestricted	<u>169,769.61</u>

Total Net Assets	<u><u>260,974.38</u></u>
-------------------------	--------------------------

Total Liabilities and Net Assets	<u><u>\$ 285,140.18</u></u>
---	-----------------------------

Ellington Township
Statement Of Activities
For the Year Ended March 31, 2008

Governmental Activities

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Program Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities				
General Government	\$ 49,453.35	\$ 0.00	\$ 0.00	\$ (49,453.35)
Public Safety	14,459.79	0.00	0.00	(14,459.79)
Public Works	106,277.77	0.00	0.00	(106,277.77)
Sanitation	54,607.32	61,041.70	0.00	6,434.38
Roads	78,100.00	91,026.68	0.00	12,926.68
Other	28,200.36	0.00	0.00	(28,200.36)
Unallocated Depreciation	166.00	0.00	0.00	(166.00)
Interest	1,350.66	0.00	0.00	(1,350.66)
Total Governmental Activities	<u>\$ 332,615.25</u>	<u>\$ 152,068.38</u>	<u>\$ 0.00</u>	<u>(180,546.87)</u>
General Revenues				
Property Taxes General				56,963.79
State Revenue Sharing				103,143.08
Investment Earnings				5,122.05
Other				5,813.58
Total General Revenues				<u>171,042.50</u>
Change in Net Assets (Deficit)				(9,504.37)
Net Assets Beginning of Year				<u>270,478.76</u>
Net Assets End of Year				<u>\$ 260,974.38</u>

Ellington Township
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2008

	<u>Governmental Fund</u> <u>Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Agency</u> <u>Fund</u>	<u>(Memorandum</u> <u>Only)</u>
Assets				
Cash and Investments	\$ 65,755.75	\$ 99,715.79	\$ 7,950.50	\$ 173,422.04
Taxes Receivable	7,013.15	21,450.72	0.00	28,463.87
Total Assets	<u>\$ 72,768.90</u>	<u>\$ 121,166.51</u>	<u>\$ 7,950.50</u>	<u>\$ 201,885.91</u>
Liabilities and Fund Equity				
Liabilities				
Due to Counties	\$ 0.00	\$ 0.00	\$ 7,950.50	\$ 7,950.50
Note Payable - Current Portion	2,257.26	0.00	0.00	2,257.26
Note Payable - Long-Term Portion	21,908.54	0.00	0.00	21,908.54
Total Liabilities	<u>24,165.80</u>	<u>0.00</u>	<u>7,950.50</u>	<u>32,116.30</u>
Fund Equity				
Unreserved	48,603.10	121,166.51	0.00	169,769.61
Total Fund Equity	<u>48,603.10</u>	<u>121,166.51</u>	<u>0.00</u>	<u>169,769.61</u>
Total Liabilities and Fund Equity	<u>\$ 72,768.90</u>	<u>\$ 121,166.51</u>	<u>\$ 7,950.50</u>	<u>\$ 201,885.91</u>

Ellington Township
Combined Statement of Revenue, Expenditures and
Change in Fund Balance - All Governmental Fund Types
For the Year Ended March 31, 2008

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
Revenues			
Property Taxes	\$ 49,950.64	\$ 0.00	\$ 49,950.64
Licenses and Permits	701.00	0.00	701.00
State Revenue Sharing	103,143.08	0.00	103,143.08
Property Taxes Roads	0.00	91,026.68	91,026.68
Garbage Taxes	0.00	61,041.70	61,041.70
Interest	2,935.63	2,186.42	5,122.05
Miscellaneous	12,125.73	0.00	12,125.73
Total Revenues	<u>168,856.08</u>	<u>154,254.80</u>	<u>323,110.88</u>
Expenditures			
Legislative	3,616.32	0.00	3,616.32
General Government	45,837.03	0.00	45,837.03
Public Safety	0.00	14,459.79	14,459.79
Public Works	106,277.77	78,100.00	184,377.77
Garbage	0.00	54,607.32	54,607.32
Other	28,200.36	0.00	28,200.36
Debt Service Interest	1,350.66	0.00	1,350.66
Capital Outlay	4,800.00	0.00	4,800.00
Total Expenditures	<u>190,082.14</u>	<u>147,167.11</u>	<u>337,249.25</u>
Excess of Revenues over Expenditures	<u>(21,226.06)</u>	<u>7,087.69</u>	<u>(14,138.37)</u>
Other Financing Sources (Uses)			
Operating Transfers in	0.00	0.00	0.00
Operating Transfers out	0.00	0.00	0.00
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	<u>(21,226.06)</u>	<u>7,087.69</u>	<u>(14,138.37)</u>
Fund Balance at Beginning of Year	<u>69,829.16</u>	<u>114,078.82</u>	<u>183,907.98</u>
Fund Balance at End of Year	<u>\$ 48,603.10</u>	<u>\$ 121,166.51</u>	<u>\$ 169,769.61</u>

Ellington Township
Reconciliation of Fund Balances of Government Funds
to Net Assets of Government Activities
For the Year Ended March 31, 2008

Fund Balances Total Governmental Funds	\$ 169,769.61
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources expenditures in the year incurred and are not reported in the funds:	
Property and Equipment	111,209.77
Less Accumulated Depreciation	(20,005.00)
Debt is not recorded in governmental funds until it is paid:	
Notes Payable End of Year	<u>0.00</u>
Net Assets of Governmental Activities	<u>\$ 260,974.38</u>

Ellington Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net Change in Fund Balances Total Governmental Funds \$ (14,138.37)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures in the year incurred and depreciation is recorded for assets in the statement of activities

Depreciation Expense	(166.00)
Capital Outlay	4,800.00

Accrued Interest on long-term debt is recorded in the statement of activities when incurred it is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	0.00

Proceeds and repayments of principal on long-term debt are revenues and expenditures in the government funds, but not in the statement of activities

Proceeds from new Debt	0.00
------------------------	------

Change in Net Assets of Governmental Activities \$ (9,504.37)

Ellington Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies:

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The Local Governmental Unit is governed by an elected council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major governmental fund:

The general fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

Other Non-Major Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Government accounts for its major and local street activities in the special revenue funds.

Fiduciary Funds

The agency fund is used to account for assets held as an agent for others.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payable's

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over its' estimated useful life.

Compensated Absences (Vacation and Sick Leave)

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative total data for the prior year has not been presented in the fund financial statements.

Note 2- Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the county. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

Note 3 - Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

Note 4 - Stewardship, Compliance, and Accountability:

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal

year. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Government incurred expenditures in certain budgeted funds which were in excess of the amounts budgeted, as shown in the statements of Actual vs Budget.

Note 5 - Deposits and Investments:

Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was \$165,471.54 and the bank balance was \$165,471.54.

Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2008, the Government had no investments consisting of certificates of deposit and Money Market Funds.

The total Government cash and investments amounted to \$165,471.54 as of March 31, 2008 and \$165,471.54 was covered by Federal Depository Insurance.

Note 6 - Receivables:

Receivables as of year end for the governments individual major funds and the other non major funds in the aggregate are shown in the respective statements.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Note 7 - Employee Retirement and Benefits Systems:

The Township does not provide any Retirement and Benefits.

Note 8 - Transfers:

There were no transfers to or from any funds during the Township's fiscal year.

Note 9 - Contingent Liabilities:

Contingent Liability - Unemployment Compensation Costs

The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

Note 10 - Risk Management

The township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (Worker's Compensation). The township has purchased commercial insurance for property loss, torts, and worker's compensation claims.

Note 8 - Changes in Long-Term Debt - General Fund:

The Township purchased additional property for a cemetery expansion. Purchase of the property was accomplished in part by borrowing from a bank. The bank has secured the note payable with the cemetery property purchased.

The following is a summary of the note transactions for the year ended March 31, 2008:

	BALANCE APRIL 1, 2007	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2008
Note Payable Northstar Bank	\$ 26,299	\$ -	\$ 2,133	\$ 24,166
Total	\$ 26,299	\$ -	\$ 2,133	\$ 24,166

Notes payable as of March 31, 2008 are comprised of the following:

\$45,556.29 Note payable due in monthly principal and interest installments of \$290 through April 13, 2016 and with interest at the rate of 5.25%.	\$ 24,166
Notes payable	\$ 24,166

The annual requirements to amortize the note payable balance as of March 31, 2008 including interest are as follows:

2009	\$ 3,484
2010	3,484
2011	3,484
2012	3,484
2013	3,484
Thereafter	12,774
	\$ 30,194

Required Supplemental Information

Ellington Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	<u>General Fund</u>			<u>Variance</u>	<u>Variance</u>
				<u>Original</u>	<u>Actual</u>
				<u>Compared to</u>	<u>Compared to</u>
	<u>Original</u>	<u>Final</u>	<u>Increase</u>	<u>Final</u>	<u>Final</u>
	<u>Budget</u>	<u>Budget</u>	<u>(Decrease)</u>	<u>Actual</u>	<u>Favorable</u>
Revenues					<u>(Unfavorable)</u>
Taxes-Current	\$ 0.00	\$ 50,500.00	\$ 50,500.00	\$ 49,950.64	\$ (549.36)
State Sources	0.00	103,900.00	103,900.00	103,143.08	(756.92)
Other	0.00	17,163.15	17,163.15	12,826.73	(4,336.42)
Interest	0.00	3,836.73	3,836.73	2,935.63	(901.10)
Total Revenues	<u>0.00</u>	<u>175,399.88</u>	<u>175,399.88</u>	<u>168,856.08</u>	<u>(6,543.80)</u>
Expenditures					
Legislative	0.00	3,616.32	3,616.32	3,616.32	0.00
General Government	0.00	50,345.72	50,345.72	45,837.03	4,508.69
Public Works	0.00	113,184.36	113,184.36	106,277.77	6,906.59
Other	0.00	41,013.60	41,013.60	28,200.36	12,813.24
Debt Service Interest	0.00	0.00	0.00	1,350.66	(1,350.66)
Capital Outlay	0.00	11,400.00	11,400.00	4,800.00	6,600.00
Total Expenditures	<u>0.00</u>	<u>219,560.00</u>	<u>219,560.00</u>	<u>190,082.14</u>	<u>29,477.86</u>
Excess of Revenues over Expenditures	<u>0.00</u>	<u>(44,160.12)</u>	<u>44,160.12</u>	<u>(21,226.06)</u>	<u>22,934.06</u>
Other Financing Sources (Uses)					
Operating Transfers in	0.00	0.00	\$ 0.00	0.00	0.00
Operating Transfers out	0.00	0.00	\$ 0.00	0.00	0.00
Excess of Revenues and Other Sources					
Over(Under)Expenditures and Other Uses	<u>\$ 0.00</u>	<u>\$ (44,160.12)</u>	<u>44,160.12</u>	<u>(21,226.06)</u>	<u>\$ 22,934.06</u>
Fund Balance at Beginning of Year				<u>69,829.16</u>	
Fund Balance at End of Year				<u>\$ 48,603.10</u>	

Additional Supplemental Information

Ellington Township

Schedule of Revenues For the Year Ended March 31, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Current Tax Levy	\$ 49,950.64	\$ 50,500.00	\$ (549.36)
Licenses and Permits	701.00	1,400.00	(699.00)
Delinquent Taxes	7,013.15	7,013.15	0.00
Sales Tax	103,143.08	103,900.00	(756.92)
Miscellaneous	5,112.58	8,750.00	(3,637.42)
Interest Income	<u>2,935.63</u>	<u>3,836.73</u>	<u>(901.10)</u>
Total Revenues	<u>\$ 168,856.08</u>	<u>\$ 175,399.88</u>	<u>(6,543.80)</u>

Ellington Township

Schedule of Expenditures For the Year Ended March 31, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Legislative			
Township Board Salary	\$ 3,616.32	\$ 3,616.32	\$ 0.00
Total Legislative	<u>\$ 3,616.32</u>	<u>\$ 3,616.32</u>	<u>0.00</u>
General Government			
Board of Review	\$ 667.50	\$ 750.00	\$ 82.50
Supervisors Salary	9,084.72	9,084.72	0.00
Election Salary	882.00	1,500.00	618.00
Clerk Salary	10,170.60	10,170.60	0.00
Treasurer Salary	11,840.40	11,840.40	0.00
Deputy Treasurer Salary	1,246.81	1,500.00	253.19
Deputy Clerk Salary	184.00	1,200.00	1,016.00
Assessor Salary	5,754.00	5,800.00	46.00
Building and Grounds	3,847.00	5,500.00	1,653.00
Zoning Salary	2,160.00	3,000.00	840.00
Total General Government	<u>\$ 45,837.03</u>	<u>\$ 50,345.72</u>	<u>4,508.69</u>
Public Safety			
Public Works			
Highways and Streets	\$ 95,275.08	\$ 96,584.36	\$ 1,309.28
Drains at Large	6,763.65	7,500.00	736.35
Repairs and Maintenance	4,239.04	9,100.00	4,860.96
Total Public Works	<u>\$ 106,277.77</u>	<u>\$ 113,184.36</u>	<u>6,906.59</u>
Other			
Taxes - Social Security	\$ 3,442.26	\$ 3,500.00	\$ 57.74
Office Supplies	967.88	5,402.48	4,434.60
Printing and Publishing	4,375.26	8,050.00	3,674.74
Professional Fees	644.95	2,000.00	1,355.05
Insurance	5,132.00	5,400.00	268.00
Dues and Publications	1,513.27	3,000.00	1,486.73
Miscellaneous	2.42	10.00	7.58
Telephone	54.00	200.00	146.00
Utilities	3,936.55	4,300.00	363.45
Travel and Conferences	22.77	651.17	628.35
Library	8,109.00	8,500.00	391.00
Total Other	<u>\$ 28,200.36</u>	<u>\$ 41,013.60</u>	<u>12,813.24</u>

Ellington Township

Schedule of Expenditures For the Year Ended March 31, 2008

Debt Service Interest			
Debt Service Interest	\$ 1,350.66	\$ 0.00	\$ (1,350.66)
Total Debt Service Interest	<u>\$ 1,350.66</u>	<u>\$ 0.00</u>	<u>(1,350.66)</u>
Capital Outlay			
Capital Outlay	\$ 4,800.00	\$ 11,400.00	\$ 6,600.00
Total Capital Outlay	<u>\$ 4,800.00</u>	<u>\$ 11,400.00</u>	<u>6,600.00</u>
Total Expenditures	<u>\$ 190,082.14</u>	<u>\$ 219,560.00</u>	<u>\$ 29,477.86</u>

**Ellington Township
Special Revenue Funds
Schedule of Revenues
For the Year Ended March 31, 2008**

Fire Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Interest Income	\$ 731.89	\$ 891.55	\$ 159.66
Total Revenues	<u>\$ 731.89</u>	<u>\$ 891.55</u>	<u>\$ 159.66</u>

Road Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Current Tax Levy	\$ 78,000.00	\$ 77,575.16	\$ (424.84)
Delinquent Tax	13,451.52	13,451.52	0.00
Interest Earnings	401.09	254.47	(146.62)
Total Revenues	<u>\$ 91,852.61</u>	<u>\$ 91,281.15</u>	<u>\$ (571.46)</u>

Garbage Collection Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Current Tax Levy	\$ 61,199.20	\$ 61,041.70	\$ 157.50
Interest Income	1,068.27	1,040.40	27.87
Total Revenues	<u>\$ 62,267.47</u>	<u>\$ 62,082.10</u>	<u>\$ 185.37</u>

**Ellington Township
Special Revenue Funds
Schedule of Expenditures
For the Year Ended March 31, 2008**

Fire Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Expenditures			
Fire Protection Expenses	\$ 16,500.00	\$ 14,459.79	\$ 2,040.21
Total Expenditures	<u>\$ 16,500.00</u>	<u>\$ 14,459.79</u>	<u>\$ 2,040.21</u>

Road Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Expenditures			
Highways and Streets Expenses	\$ 78,400.00	\$ 78,100.00	\$ 300.00
Total Expenditures	<u>\$ 78,400.00</u>	<u>\$ 78,100.00</u>	<u>\$ 300.00</u>

Garbage Collection Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Expenditures			
Collection Expenses	\$ 55,400.00	\$ 54,607.32	\$ 792.68
Total Expenditures	<u>\$ 55,400.00</u>	<u>\$ 54,607.32</u>	<u>\$ 792.68</u>



MIDWEST ACCOUNTING, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

101 N. Port Crescent
Bad Axe, Michigan 48413
(989) 269-9966 • Fax (989) 269-6780
<http://www.mwaccounting.com> • mwa@mwaccounting.com

October 30, 2008

To the Township Board
Ellington Township
Caro, MI 48723

During the course of our audit of Ellington Township for the year ended March 31, 2008, we have developed recommendations we feel can improve your financial reporting and record keeping. They are as follows:

1. The Township should perform all accounting functions related to the Tax Agency Fund and should record all transactions in their general ledger.

If you have any questions, or would like to discuss them in more detail, please call.

Very truly yours,

Midwest Accounting, P.C.

Midwest Accounting, P.C.